CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of Monday December 13, 1982

Attendance: Acting Chairman, Mr. M. Bourgault, Prof. L. Bessner, Dr. J. Daniel, Mr. R. Doutre, Prof. G. Martin, Prof. H. Ripstein, Mr. Bruce Smart, Mr. C. Waters, Miss D. Johnson and Mr. M. Hamilton of William M. Mercer Ltd.

Regrets: Mr. G. Fisher and Mr. R. Groome

Minutes of the meeting of November 8, 1982

Mr. Smart proposed the motion to accept the minutes as presented, Prof. Martin seconded and the motion was unanimously carried.

Amendments to the Pension Plan

Mr. Hamilton explained that Bill 15 included a requirement that Pension Plans be amended with effect from April 1, 1982 and these amendments must be submitted to the Quebec Pension Board by December 31, 1982. He noted that two (2) sets of proposed amendments had been prepared, the first to incorporate suspended membership for those who had reached their Normal Retirement Date, the second set to incorporate continuing membership for those continuing full time employment beyond Normal Retirement Date.

The participant's representatives were asked for any feedback from the members following the information meetings. It was noted that the members were pleased to be consulted and kept informed and no changes had been proposed.

Mr. Smart proposed a motion that the plan be amended to allow for continued participation beyond Normal Retirement Date. (Set Two) Mr. Waters seconded the motion and it was unanimously carried.

Mr. Hamilton recommended that a University Administrator be authorized to make any minor additional mandatory modifications which may be required in the amendments. The Committee agreed unanimously to recommend that Dr. Daniel be the authorized administrator.

Loyola Past Service

Prof. Bessner requested that Mr. Hamilton review his report letter on a point by point basis to give committee members an opportunity to pose questions. The full text of the report letter constitutes Appendix A of the official minutes.

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Mr. Smart asked if any of the retroactive improvements under the Sir George plan had ever been extended to those who had not previously been in the pension plan. Mr. Hamilton responded that the improvements had only been applied to "Members" (defined) of the plan.

Prof. Bessner asked what amounts were paid by Concordia to cover the past service liabilities. Mr. Hamilton noted that $227,000.00 per annum was required to cover a liability of approximately 2 million. Prof. Martin noted that the government was funding these costs as a separate envelope until 1978-79. Some of the cost related to the "forfaitaire" roll-in, some to the shortfall in investment performance and some to the Loyola improvements following merger.

Mr. Hamilton also pointed out that there were two reasons why we were no longer facing a lingering liability, the good performance of the plan and the fact that the University has been contributing more than has been required to fund all the liabilities. The University had no choice, other than terminating the pension plan, but to fund the obligations that had been incurred. The experience deficiency evolved due to the fact that salaries had run ahead of cost-of-living with the roll-in of forfaitaire, the investment performance of the 70's couldn't cover the cost and in the same time frame the costs of the Loyola improvement from merger for the period 1974 to 1977 were added to the liabilities.

In addressing the question of deficiencies and liabilities being proportional to membership Mr. Hamilton cautioned that if one assumes that the bulk of the unfunded liabilities are attributable to the Sir George participants it also follows that the bulk of the fund assets and growth returns are attributable to Sir Geroge participants.

Mr. Smart asked if the amortization period was set out in the regulations. Mr. Hamilton replied that it was 15 years. Mr. Smart asked if there was any actuarial need to speed up the contributions because of the age of the population affected. Mr. Hamilton replied that this would not be the actuarial recommendation, the liabilities were usually funded over 15 years.

Prof. Bessner asked if there was any need to continue the liability payments since the liabilities no longer exist. Mr. Hamilton noted that the liabilities had disappeared because of University contributions not because of experience gains and in the next two years this situation could turn itself around. The performance of investments is still on course and this is verified every two or three years.

Mr. Smart asked if it was the policy of the University to maintain a certain level of contributions. Prof. Martin replied that the University maintained a conservative approach which favoured a constant contribution level as a percentage of covered payroll.

Mr. Hamilton noted that the costs which had been projected were estimates only and if the retired and vested terminated groups were to be reviewed the records would have to be found.

Mr. Smart asked what the annual cost of the Loyola past service liability would be; Mr. Hamilton replied approximately 10%.

Mr. Hamilton pointed out that the Manulife benefits could be valued but this assumes an actuarial interest rate which is quite generous when in fact Manulife will pay only the accrued vested pension benefit, regardless of interest. The

pre-73 Loyola assets are still producing returns of the 70's on the Manulife assets with no escape clause. Even equal contributions would not make up for the poor performance and lack of assets; the conservatism of the 70's is ingrained in this plan.

Prof. Bessner remarked that the Loyola community was never consulted about the pension benefits and were left with the impression of equal treatment. He noted the appeal was being made on a moral basis not because of any legal or technical obligation.

Prof. Martin noted that the Loyola members were well represented, on the Concordia benefits planning committee, by Prof. Barbieri and Mr. Ray Martin. The differences were recognized and it was a question of the availability of funds from the government whether or not something could be done.

Mr. Smart noted that the essential issue is not the relative value of former assets and benefits but what would a fair and reasonable employer do today. Also, how can we rationalize other formulas?

Mr. Doutre asked how we should define equity, are we referring to equity of benefits or equity of costs. Mr. Hamilton replied that if equal benefits are required then unequal costs will be the result.

The Chairman noted that in the future the plan could start making money. The recent updating of pension benefits was only one result of investment surplus and if there is surplus money in the Plan it must be used for the benefit of the employees.

Mr. Smart noted that we cannot anticipate future changes in investment return, additional costs will be eliminated only if a sufficient surplus is generated to cover them without increasing the University contributions.

Mr. Waters noted there were a number of pre-1970 Sir George participants who would also have a stake in past service. These participants were prevented from joining the Pension Plan due to the eligibility definition.

Prof. Martin noted that the circumstances were different in the two plans, at Loyola the members bought into the Manulife plan because they had to but at Sir George the membership was selective.

Mr. Smart indicated that since nobody was opposed to doing something the Committee should agree in principle what has to be done.

Mr. Doutre pointed out that a larger issue has now come up. Dr. Daniel agreed that the topic is more complex and proceeding now with declarations of principle could be premature.

Prof. Bessner stated that Committee should deal with the issue and not procrastinate. Prof. Martin responded that Committee was not stalling but merely ensuring that all aspects are thoroughly reviewed.

Prof. Bessner asked if it was possible to fund the liability and how should it be funded. Mr. Hamilton noted that contributions of $400,000.00 per year more than projected would be necessary if we assume a $4 million cost. Future surplus funds generated by the pension plan could also be allocated to fund an improvement.

Mr. Smart noted that Committee is not yet ready to go to the Board with a conclusive recommendation but since there is no objection in principle this should be communicated to the Board.

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Mr. Hamilton cautioned that this could raise expectations in the event there is something we cannot do. The wording of the motion was discussed and the following motion was proposed by Prof. Martin.

The Committee reports that a preliminary review of the question has revealed no objection in principle to some improvement of pension benefits for former Loyola employees.

The Committee needs further time to complete its review in order to provide precise estimates of cost and examine the situation of other employees in relation to this question.

The motion was seconded by Prof. Bessner and carried.

Prof. Bessner requested that a copy of the report letter from William M. Mercer Ltd. be turned over to the Board of Governors as soon as possible.

Mr. Doutre asked why a working document should be given to the Board now when the Committee's work is not yet finished. Dr. Daniel added that the committee would be following sloppy procedure to submit this letter to the Board when there is still work to be done. Prof. Martin noted that if the final report and recommendation of the committee does not satisfy the Board then further information can be provided.

Mr. Hamilton advised committee that there was a simpler approach which could go a long way to improve the adequacy of the benefits provided by the Manulife plan; that is by using the existing benefits as a base and increasing these by C.P.I.

Prof. Martin indicated that the Committee should review all options of improvement open to us.

The meeting adjourned at 2:45 p.m.